

ORIGINAL

OPEN MEETING ITEM



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COMMISSIONERS  
SUSAN BITTER SMITH - Chairman  
BOB STUMP  
BOB BURNS  
DOUG LITTLE  
TOM FORESE



JODI JERICH  
Executive Director

ARIZONA CORPORATION COMMISSION

RECEIVED  
AZ CORP COMMISSION  
DOCKET CONTROL

DATE: MAY 6, 2015

2015 MAY 6 PM 2 18

DOCKET NO.: E-01461A-07-0433

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Jane L. Rodda. The recommendation has been filed in the form of an Order on:

TRICO ELECTRIC COOPERATIVE, INC.  
(ORDER EXTENDING TIME DEADLINE FOR FINANCING AUTHORITY  
CONTAINED IN DECISION NOS. 70399, 73933 AND 74583)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

MAY 15, 2015

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

JUNE 16, 2015 and JUNE 17, 2015

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

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JODI JERICH  
EXECUTIVE DIRECTOR

1                                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2   COMMISSIONERS

3   SUSAN BITTER SMITH - Chairman  
4   BOB STUMP  
5   BOB BURNS  
6   DOUG LITTLE  
7   TOM FORESE

8   IN THE MATTER OF THE APPLICATION OF  
9   TRICO ELECTRIC COOPERATIVE, INC., AN  
10   ARIZONA CORPORATION, FOR AUTHORITY  
11   TO BORROW THE ADDITIONAL SUM OF  
12   \$58,786,000 FROM THE UNITED STATES OF  
13   AMERICA (RURAL DEVELOPMENT UTILITIES  
14   PROGRAM) AND THE ADDITIONAL SUM OF  
15   \$25,194,000 FROM NATIONAL RURAL  
16   UTILITIES COOPERATIVE, AND TO EVIDENCE  
17   SAID LOANS BY EXECUTION OF LOAN  
18   AGREEMENTS, PROMISSORY NOTES AND  
19   SECURITY DOCUMENTS REQUIRED BY THE  
20   LENDERS.

DOCKET NO. E-01461A-07-0433

DECISION NO. \_\_\_\_\_

**ORDER EXTENDING TIME**  
**DEADLINE FOR FINANCING**  
**AUTHORITY CONTAINED IN**  
**DECISION NOS. 70399, 73933 AND**  
**74583**

Open Meeting  
June 16 & 17, 2015  
Phoenix, Arizona

21   **BY THE COMMISSION:**

22                                   \*   \*   \*   \*   \*   \*   \*   \*   \*   \*

23           Having considered the entire record herein and being fully advised in the premises, the  
24   Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

25                                   **FINDINGS OF FACT**

26           1.     On July 23, 2007, Trico Electric Cooperative, Inc. ("Trico" or "Cooperative"), a non-  
27   profit member-owned electric power distribution cooperative, filed an application with the  
28   Commission for authority to borrow \$83.98 million from the Rural Utilities Service ("RUS")  
29   ("Finance Application").<sup>1</sup>

30           2.     On July 3, 2008, the Commission issued Decision No. 70399, which authorized Trico  
31   to borrow funds from the RUS in an amount not to exceed \$20.8 million and additional funds in an

32   \_\_\_\_\_  
33   <sup>1</sup> Trico originally planned to borrow \$58,786,000 from the RUS and \$25,194,000 from the National Rural Utilities  
34   Cooperative Finance Corporation ("CFC"), but subsequently decided to borrow all the funds from the RUS.

1 amount not to exceed \$63.18 million, for the purpose of funding its 2008 budget for its construction  
2 work plan, conditioned on Trico being able to demonstrate that the additional borrowing would result  
3 in a Times Interest Earned Ratio ("TIER") and Debt Service Coverage ("DSC") of 1.25 or greater  
4 using Trico's most recent annual report. Decision No. 70399 provided that any authorization to incur  
5 debt granted in the proceeding would terminate on December 31, 2013.

6       3. Pursuant to the authority granted in Decision No. 70399, Trico entered into an RUS  
7 Loan Contract dated July 1, 2008, under which the RUS issued a guarantee of a loan in the amount of  
8 \$83,979,000 to be used by Trico to finance certain system extensions and improvements ("RUS Loan  
9 Contract"). The RUS Loan Contract had a termination date of July 31, 2013.

10       4. The RUS financing was intended to cover the construction of additional and  
11 supplemental facilities needed to meet expected growth in Trico's service area, to allow Trico to  
12 maintain its plant in sound condition, and to be able to continue to provide safe and reliable electric  
13 service. The RUS financing consisted of a 35-year amortizing loan that permitted multiple draws  
14 over the approximate five years of the construction work plan being financed. When the Commission  
15 approved the RUS loan, the termination date of the borrowing authority was intended to comport  
16 with the anticipated five-year time frame of the construction work plan.

17       5. Due to the unforeseen 2008 economic downturn and resultant delay in completing the  
18 planned system extensions and additions, Trico did not complete the construction work plan within  
19 the anticipated five years. As of December 31, 2012, Trico had borrowed only \$41,500,000 of the  
20 \$83,979,000 available under the RUS Loan Contract. Because it still had a need for advances of the  
21 remaining balance under the RUS Loan Contract to fund its construction work plans beyond the  
22 original July 31, 2013 termination date, Trico sought its first extension of the RUS Loan Contract on  
23 March 22, 2013. At that time, Trico requested that the Commission extend the long-term borrowing  
24 authority under Decision No. 70399 until July 31, 2014. The Commission granted Trico's extension  
25 request in Decision No. 73933 (July 27, 2013).

26       6. Growth remained slow, and the Commission granted Trico's request for a second  
27 extension of the RUS financing authority until July 31, 2015, in Decision No. 74583 (July 22, 2014).

28       7. On March 31, 2015, Trico filed Notice pursuant to the directive in Decision No. 74583

1 that it intended to request another extension of time for its financing authority.

2 8. On April 14, 2015, Trico filed an Application to extend the time deadline for financing  
3 authority contained in Decisions Nos. 70399, 73933 and 74583. In this Application, Trico asserts  
4 that the economic recovery remains slow in its service area and as a result, Trico still has not  
5 completed the construction work plan. As of March 16, 2015, Trico states that it had borrowed  
6 \$58,523,745 of the \$83,979,000 under the RUS Loan Contract. Trico asserts that it continues to have  
7 need for advances of the remaining RUS Loan Contract to fund its construction work plans beyond  
8 July 31, 2015. Thus, Trico requests that the Commission grant an extension of its finance authority  
9 from July 31, 2015, to July 31, 2016. Trico requested expedited consideration of its request in order  
10 to have the matter considered at the Commission's June 2015 regularly scheduled Open Meeting.

11 9. Trico states that it has received approval from the RUS to extend the loan until July  
12 31, 2016, but that it must also obtain regulatory approval from the Commission in order for the RUS  
13 extension to be effective.

14 10. Trico submits that the RUS Loan Contract provides an economic source of financing  
15 for cooperatives such as Trico, and asserts that it is in the public interest to extend the financing  
16 authority previously granted, in order to allow Trico continued access to financing under the RUS  
17 Loan Contract.

18 11. On April 22, 2015, Staff filed a Memorandum in which it states it has no objections to  
19 Trico's request. Staff noted, however, that the underlying assumptions of the 2007-2010 Construction  
20 Work Plan have proven to be unreliable, and thus Staff recommends that no further time extensions  
21 be granted unless accompanied by updated growth projections and an updated Construction Work  
22 Plan that demonstrates that an additional time extension is warranted.

23 12. According to the RUS Loan Contract, Trico needs to maintain a minimum TIER and  
24 DSC of 1.25 on an annual basis for the last two out of three years.

25 13. Using Trico's 2015 annual report, Staff calculated that the Cooperative had a TIER of  
26 2.25 and DSC of 2.43. Staff calculated that if the RUS loan were to be fully drawn, based on 2014  
27 results, Trico would have a TIER of 1.27 and DSC of 1.43. Staff states that both pro forma ratios are  
28 sufficient to allow Trico to meet its operating needs and the debt service requirements of its loan on a

1 going-forward basis.

2 14. Under the circumstances as presented, Trico's request for an extension of time is  
3 reasonable and should be approved. Staff's recommendation concerning future extension requests is  
4 also reasonable. In addition, it is reasonable to retain the requirement that Trico make any future  
5 request for an extension sufficiently in advance of the deadline to provide Staff with time to analyze  
6 the request, and the Commission to act on it.

### 7 CONCLUSIONS OF LAW

8 1. Trico is a public service corporation within the meaning of Article XV of the Arizona  
9 Constitution and A.R.S. §§ 40-252, 40-310, 40-302, and 40-303.

10 2. The Commission has jurisdiction over Trico and of the subject matter of Trico's  
11 Finance Application and its request for an extension of such authority until July 31, 2016.

12 3. The financing as approved and conditioned in Decision Nos. 70399, 73933 and 74583,  
13 and as extended herein, is for lawful purposes within Trico's corporate power, is compatible with the  
14 public interest, with sound financial practices, and with the proper performance by Trico of service as  
15 a public service corporation, and will not impair Trico's ability to perform the service.

16 4. The financing authority approved previously in Decision Nos. 70399, 73933, 74583,  
17 and as extended herein, is for the purposes stated in the Finance Application, is reasonably necessary  
18 for those purposes and such purposes may not be reasonably chargeable to operating expenses or to  
19 income.

### 20 ORDER

21 IT IS THEREFORE ORDERED that the time deadline for financing authority contained in  
22 Decision Nos. 70399, 73933 and 74583 is extended until July 31, 2016, subject to the terms of  
23 Decision No. 70399.

24 IT IS FURTHER ORDERED that in all other respects Decision No. 70399 shall remain in full  
25 force and effect.

26 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. is authorized to execute  
27 any documents necessary to effectuate the authorizations granted herein.

28 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall file with Docket

Control, as a compliance item in this docket, copies of any additional executed financing documents related to this authority within 60 days after the date of execution.

IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not constitute or imply approval or disapproval by the Commission of any particular expenditure of the proceeds derived thereby for purposes of establishing just and reasonable rates.

IT IS FURTHER ORDERED that in the event Trico Electric Cooperative, Inc. will request another extension of the financing authority discussed herein, it shall docket such request no later than April 1, 2016, and that any such request shall be supported by updated growth projections and an updated Construction Work Plan that demonstrates that the requested additional time extension is warranted.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_

JLR:ru

1 SERVICE LIST FOR: TRICO ELECTRIC COOPERATIVE, INC.

2 DOCKET NO.: E-01461A-07-0433

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